

DIRECT TESTIMONY OF

DAWN M. HIPPI

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2020-125-E

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

2 A. My name is Dawn M. Hipp. My business address is 1401 Main Street, Suite 900,
3 Columbia, South Carolina, 29201. I am employed by the State of South Carolina as the
4 Chief Operating Officer of the Office of Regulatory Staff ("ORS").

5 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

6 A. I received my bachelor's degree in political science from Minnesota State
7 University - Moorhead. Prior to my employment with ORS, I managed the financial,
8 operations and regulatory aspects for an environmental company that provided turn-key
9 hazardous waste consulting services for the United States Department of Defense.

10 In 2004, I joined ORS as a Program Specialist for the Water and Wastewater
11 Department. I became a Director in 2007, and in 2018, was promoted to the position of
12 Chief Operating Officer with responsibility for all ORS operational functions within the
13 following divisions: Energy Office; Utility Rates and Services; Broadband;
14 Communications; and Safety.

15 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE**
16 **COMMISSION OF SOUTH CAROLINA ("COMMISSION")?**

A. Yes. I have testified on numerous occasions before the Commission relating to general rate cases, consumer complaints and other regulatory proceedings.

Q. WHAT IS THE MISSION OF ORS?

A. ORS represents the public interest as defined by the South Carolina General Assembly in S.C. Code Ann. § 58-4-10 as:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. PLEASE EXPLAIN THE PURPOSE OF YOUR SETTLEMENT TESTIMONY.

A. My settlement testimony supports and explains the Comprehensive Settlement Agreement reached between Dominion Energy South Carolina, Inc. (“DESC” or the “Company”); the South Carolina Department of Consumer Affairs; the South Carolina Energy Users Committee; Mr. Frank Knapp, Jr.; the Sierra Club and Natural Resources Defense Council; AARP South Carolina; the South Carolina Coastal Conservation League; the Southern Alliance for Clean Energy; Walmart Inc.; the United States Department of Defense and other Federal Executive Agencies; and ORS (“Settling Parties”). CMC Steel South Carolina (“CMC Steel”) has indicated it does not oppose the Comprehensive Settlement.

The Comprehensive Settlement is the result of complex negotiations between many stakeholders with diverse interests. In the spirit of collaboration, each of the Settling Parties made compromises from their original positions to achieve a balanced resolution of all issues in the rate proceeding. The compromises among the Settling Parties demonstrate the collective support for recovery of reasonable and prudent investments to provide reliable and high-quality electric service for South Carolinians. ORS appreciates the transparent

1 and robust discussions of the Settling Parties and believes the Comprehensive Settlement
2 is a constructive and positive step forward in the South Carolina regulatory process. ORS
3 requests the Commission consider the approval of the Comprehensive Settlement
4 Agreement, as filed, on July 2, 2021.

5 **Q. PLEASE DESCRIBE THE ACTIONS OF THE INTERVENORS TO DISCUSS**
6 **AND DEVELOP THE COMPREHENSIVE SETTLEMENT AGREEMENT**
7 **PRESENTED IN DOCKET NO. 2020-125-E.**

8 A. First and foremost, the Comprehensive Settlement Agreement could not have been
9 achieved without the Commission's approval of the six-month ratemaking "pause" on
10 January 11, 2021. ORS appreciates the Commission's willingness to pause the hearing in
11 acknowledgement of the extraordinary economic challenges facing customers of DESC as
12 a result of the COVID-19 pandemic.

13 Prior to the start of the Merits Hearing, ORS and DESC met on November 17, 2020,
14 to discuss logistics related to negotiation of a potential settlement. After the meeting
15 between ORS and DESC, the Company engaged with AARP, Walmart, the South Carolina
16 Energy Users Committee, Frank Knapp, Jr., the South Carolina Department of Consumer
17 Affairs, and the United States Department of Defense and all other Federal Executive
18 Agencies ("Pre-Hearing Settlement Group") to determine if they would be willing to
19 engage in settlement discussions. On December 1, 2020, DESC met with ORS again and
20 presented an overall conceptual framework for a potential settlement agreement. DESC
21 presented a settlement offer on December 18, 2020 ("DESC December 18 Settlement
22 Offer") to ORS and the Pre-Hearing Settlement Group. The DESC December 18
23 Settlement Offer was not accepted by ORS or the Pre-Hearing Settlement Group and

1 consensus could not be reached for a counteroffer. DESC presented a second settlement
2 offer on December 22, 2020 to the ORS and the Pre-Hearing Settlement Group; however,
3 the second settlement offer was not accepted, and a consensus could not be reached on a
4 counteroffer prior to the start of the Merits Hearing on January 5, 2021.

5 After the Commission granted the ratemaking pause in Order No. 2021-18, ORS
6 provided a term sheet to DESC on January 12, 2021, that was not a counteroffer, but a
7 framework of settlement terms the ORS and certain intervenors could consider. On
8 February 5, 2021, the Settling Parties and CMC Steel met virtually to discuss aspects of a
9 potential settlement and logistics related to the monthly status report required by the
10 Commission. On February 12, 2021, ORS and other intervenors informed counsel for
11 DESC that they would not accept the December 22 settlement offer and indicated they
12 would provide a counteroffer. ORS and the other intervenors provided DESC with a
13 counteroffer on February 26, 2021 and in early March, ORS provided DESC with
14 workpapers to support the counteroffer and answered questions from the Company. The
15 only intervenor to not explicitly support the counteroffer was CMC Steel, and it committed
16 to not opposing the counteroffer. DESC prepared and presented to the ORS and intervenors
17 a new counteroffer on March 29, 2021. After an additional exchange of workpapers and
18 discussions, DESC presented a clarified counteroffer on April 1, 2021. The Settling Parties,
19 and CMC Steel discussed the DESC clarified counteroffer on April 13, 2021. ORS and all
20 intervenors, with the exception of CMC Steel, presented DESC with a new counteroffer on
21 May 12, 2021. CMC Steel committed to not oppose the counteroffer.

22 On June 2, 2021, DESC responded to the ORS and intervenor counteroffer. During
23 the month of June, the Settling Parties further refined the terms and conditions of the

Comprehensive Settlement Agreement that was ultimately filed with the Commission on July 2, 2021. ORS is very appreciative of the efforts of the Settling Parties and CMC Steel which included many hours devoted to constructive and creative discussion designed to advance the outcomes included in the Comprehensive Settlement Agreement.

Q. PLEASE EXPLAIN HOW THE COMPREHENSIVE SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST.

A. The Comprehensive Settlement Agreement reduces the requested annual revenue requirement increase by approximately \$116.4 million. The reduction in the annual revenue requirement is enhanced by the Decrement Rider which will further reduce the overall annual impact to customers to approximately \$35.6 million per year, which is a reduction of approximately 80 percent from the amount originally requested by the Company. Taken together, the overall reduction in the revenue requirement increase and the Decrement Rider significantly mitigate the impact of the Company's rate application to DESC customers. For example, a residential customer on Rate 8 using 1,000 kWh per month will experience an increase of approximately \$1.81 compared to an increase of \$9.68 as requested in the Company's rate application. While any increase to expenses is difficult for customers as they recover from the adverse economic impacts of the COVID-19 pandemic, the Comprehensive Settlement works to minimize the increase while remaining supportive of the customer's desire for ongoing investments by DESC to provide reliable electric service and offers targeted support for those customers that face the most significant economic hardships.

A comparison of Company witness Allen Rooks Corrected Exhibit AWR-1 to Attachment B of the Comprehensive Settlement Agreement demonstrates the depth of the

1 compromise achieved by the Settling Parties. The Company's rate application included a
2 7.73% increase in retail revenue attributed to the residential customer class; instead, with
3 the Decrement Rider included in the Comprehensive Settlement Agreement, the increase
4 in revenue attributed to the residential customer class is limited to 1.37%. Overall, the
5 Comprehensive Settlement Agreement reduces the retail revenue increase from 7.75% to
6 1.42%.

7 **Q. DOES THE COMPREHENSIVE SETTLEMENT AGREEMENT CONTAIN**
8 **CUSTOMER BENEFITS THAT COULD NOT HAVE BEEN ACHIEVED**
9 **OUTSIDE OF A SETTLEMENT PROCESS?**

10 A. Yes. The Comprehensive Settlement Agreement contains several other provisions
11 that provide benefits to customers that could not have been achieved absent the
12 compromises of the Settling Parties. For example, DESC has agreed not to file a general
13 rate case before July 1, 2023, except where necessary due to unforeseen extraordinary
14 economic or financial conditions which may include, but not be limited to, changes in tax
15 rates. This means, absent such unforeseen extraordinary conditions, that customer's rates
16 will not be impacted by a general rate increase until at least January 1, 2024. The delay in
17 a general rate proceeding will assist customers in the on-going the economic recovery
18 process. The Company has committed shareholder funds to double the annual commitment
19 to Energy Share and to assist customers with arrearage forgiveness and energy efficiency
20 and critical health and safety repairs. Notably, the financial assistance provided by DESC
21 shareholders is not just limited to residential customers. The Comprehensive Settlement
22 Agreement specifically allocates \$500,000 of the Energy Share assistance to small business
23 and small general service customers.

Q. DOES THE COMPREHENSIVE SETTLEMENT AGREEMENT INCLUDE PROVISIONS TO SUPPORT RELIABLE AND HIGH-QUALITY ELECTRIC SERVICE?

A. Yes. The Comprehensive Settlement Agreement includes provisions that support continued investment in reliable and high-quality electric service for customers. Resilient and reliable electric service is a necessity for all classes of customers; therefore, continued vegetation management and recovery of storm damage costs are supported by certain provisions in the Comprehensive Settlement Agreement. In addition, scheduled maintenance, planning for future customer growth, economic development and efficient integration of renewable resources are contemplated within the context of the Comprehensive Settlement Agreement. Customers will benefit from the additional \$4.3 million savings realized through DESC annual turbine maintenance contract negotiations and the reduction to test year expenses of \$766,000 related to V.C. Summer Units 2 and 3 metered accounts transferred to Santee Cooper.

Q. DOES THE COMPREHENSIVE SETTLEMENT AGREEMENT CONTAIN ANY OTHER UNIQUE ATTRIBUTES?

A. Yes. The Comprehensive Settlement Agreement includes a commitment by DESC to initiate two (2) stakeholder processes. One stakeholder process will review and monitor low-income weatherization efforts and discuss how the shareholder-funded arrearage forgiveness monies will be distributed. The other stakeholder process will examine an electricity affordability program for low-income customers and address the need for legislation to implement such a program. ORS is aware that North Carolina has undertaken a similar stakeholder process to discuss an electricity affordability program.

Q. IS THE COMPREHENSIVE SETTLEMENT AGREEMENT IN THE PUBLIC INTEREST AND DOES IT RESULT IN JUST AND REASONABLE RATES?

A. Yes, for the reasons I discussed previously in my testimony. The ORS fully supports the Comprehensive Settlement Agreement which would not have been achieved without the Commission's authorization for additional time for the Settling Parties to negotiate. ORS respectfully requests the Commission consider approval of the Comprehensive Settlement Agreement as presented. If approved, customers will begin to receive the benefits as of September 1, 2021.

Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?

A. Yes, it does.